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## Kenya

### Retail Food Sector

### Effect of the political crisis on the Retail Sector 2008

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**Report Highlights:**

The current political crisis in Kenya has negatively affected the vibrant and rapidly growing retail sector as local supermarkets claim losses of over \$ 20 million during the last month.

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Includes PSD Changes: No  
Includes Trade Matrix: No  
Trade Report  
Nairobi [KE1]  
[KE]

## Summary

In 2007, the retail sector contributed 11 per cent to the GDP growth of 6.1 per cent. Growth of 6.9 per cent in the manufacturing sector led to an improved supply of a wide range of processed food items sold through the supermarkets.

In the last five years, the sector experienced rapid growth both in sales volume and number of retail outlets opened countrywide. The market has also experienced dynamic shifts in customer and brand loyalty. Three local supermarket chains, Nakumatt, Tuskys and Uchumi dominate the sector. Others in the second tier include Ukwala and Naivasha Self-Service Stores. Unlike the Ugandan and Tanzanian markets where South African chains (Shoprite and Game) dominate, highly competitive local supermarkets make it difficult for foreign competitors to get into the market. These supermarkets are main outlets for many consumer oriented high value products from the United States.

<b>Retailer Type and Outlet Type</b>	<b>Ownership &amp; Number of Employees</b>	<b>Annual Sales (2006)</b>	<b>No. of Outlets</b>	<b>Locations (No. of outlets)</b>	<b>Revenue lost in the last 4 weeks (Dec. 29<sup>th</sup> to Jan. 25<sup>th</sup> 2008)</b>
Nakumatt Holdings Ltd. Supermarkets and hypermarkets Established 1985.	Local (family – business)  3700 employees	US \$ 300 million	19 Plans underway to open 11 more outlets in Kenya, 1 each in Kigali (Rwanda), Arusha (Tanzania) and Uganda.	Nairobi (11) Mombasa (2) Eldoret (1) Kisumu (2) Meru (1) Eldoret (1) Kisii (1)	US \$ 7.7 million (Kshs. 500 million)
Tusker Mattresses Ltd. (Tuskys) Established 1989	Local (family-owned) 2800 employees	US \$ 176 million	13	Nairobi (7) Eldoret (1) Nakuru (1) Athi River (1) Ongata Rongai (1) Thika (1) Kisumu (1)	US \$ 7.7 million (Kshs. 500 million) Kisumu outlet closed for now.
Ukwala supermarket chains Established 1995	Local (family-owned)	US \$ 100 million	12	Nairobi (5) Kisumu (2) Eldoret (3) Nakuru (1) Kericho (1)	US \$ 5 million (Kshs 330 million) One outlet in Kisumu burnt down and the

	1250 employees			260 employees in the Kisumu outlet. Only 15 of them working casually on stock taking at the moment.	other looted about 70 per cent of the stocks. May take over a year to reopen the stores (rebuilding and restocking).
Naivasha Self-Service Stores Ltd. Established 1992	Local (family-owned)  742 employees	US \$ 70 million	7	Nairobi (2) Eldoret (1) Naivasha (2) Machakos (1) Embu (1)	US \$ 1million (Kshs. 65 million) Attempts to burn the Eldoret outlet twice resulted in permanent closure on Jan. 31 <sup>st</sup> 2008.

In addition to revenue losses, looting and physical damages to the stores, many workers have been displaced in the areas of conflict and must be accommodated in hotels or forced to seek police protection.

### Distribution

Since the crisis started, restocking of supplies from Nairobi to Kisii, Nakuru, Eldoret and Kisumu has been very difficult and requires police escort. Tusksys de-branded their vehicles to avoid being soft targets.

### Customer Market

Generally, customer flow is down by 10 per cent. Basket value is also low with customers purchasing only the essentials (basics). Other categories of items like electronics, house wares, furniture etc. are not moving. The stores have been opening late by one hour in the morning and closing early by about 2-3 hours.

In summary, retailers have suffered revenue losses, physical damage to the stores, reduced sales and increase overhead for security.

The difficulty in restocking the supermarkets has led to higher prices for consumers in the areas of conflict.